

# **THE OFFICE OF REGULATORY STAFF**

## **DIRECT TESTIMONY**

### **OF**

**WILLIE J. MORGAN, P.E.**

**April 1, 2015**



**DOCKET NO. 2014-399-WS**

**Joint Application of Carolina Water Service, Incorporated;  
United Utility Companies, Incorporated; Utilities Services of  
South Carolina, Incorporated; and Southland Utilities,  
Incorporated for Approval of Transfer of Stock and Merger**

**TESTIMONY OF WILLIE J. MORGAN, P.E.**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2014-399-WS**

**IN RE: JOINT APPLICATION OF CAROLINA WATER SERVICE,  
INCORPORATED; UNITED UTILITY COMPANIES, INCORPORATED;  
UTILITIES SERVICES OF SOUTH CAROLINA, INCORPORATED; AND  
SOUTHLAND UTILITIES, INCORPORATED FOR APPROVAL OF  
TRANSFER OF STOCK AND MERGER**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Willie J. Morgan, and my business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") as the Program Manager for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received a Bachelor of Science Degree in Engineering from the University of South Carolina in 1985 and a Master of Arts Degree in Management from Webster University in 2000. I am a licensed Professional Engineer registered in the State of South Carolina.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

**A.** The purpose of my testimony is to set forth the ORS staff findings relative to my review of the joint application for approval of the transfer of stock and merger of United

Utility Companies, Inc. ("United"); Utilities Services of South Carolina, Inc. ("USSC"); and Southland Utilities, Inc. ("Southland"), to Carolina Water Service, Inc. ("CWS") (collectively known as "Joint Applicants").

**Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE JOINT APPLICANTS AND THE APPLICATION.**

On October 1, 2014, the Joint Applicants filed the Application seeking approval of the Public Service Commission of South Carolina ("Commission") for the transfer of stock and subsequent merger and the related transfer of water and sewer facilities, territories, and certificates of public convenience and necessity of United, USSC, and Southland to CWS. Each of the Joint Applicants is a wholly owned subsidiary of Utilities, Inc. ("UI"), and each of the Joint Applicants presently operates and provides water and/or sewer utility services to customers within prescribed service areas in South Carolina. The utility services provided by each of the Joint Applicants are subject to the jurisdiction of the Commission. In the Application, the Joint Applicants propose to merge their stock with CWS being the surviving entity. The four (4) separate corporations will merge into one (1) corporation. Following the merger and reorganization, CWS will be the surviving corporation and will continue to operate and provide utility services in South Carolina. CWS will hold the rights, privileges, immunities, franchises and property of the four (4) corporations to include the water and sewer systems, service territories, personal and business property, real property, easements, governmental authorizations (including the certificates of public convenience and necessity issued by the Commission to each of the absorbed corporations), National Pollutant Discharge Elimination System ("NPDES") permits and other permits, and other

property necessary for the operation of the utility systems. Further, all customers of the individual consolidating corporations will become customers of CWS, and the service territories held by the individual corporations will be a consolidated service area authorized to CWS.

**Q. WHAT IS ORS'S POSITION REGARDING THE JOINT APPLICATION FOR APPROVAL OF THE TRANSFER OF STOCK AND MERGER?**

**A.** ORS does not oppose the request for the transfer of stock and merger of CWS, United, USSC, and Southland.

**Q. WHAT MAY BE SOME OF THE BENEFITS OF THE REQUESTED TRANSFER OF STOCK AND MERGER?**

**A.** The Joint Application is consistent with the recommendations of the management review audit conducted by Shumaker & Company in 2007 at the request of the Commission. The final report by Shumaker & Company recommended that UI investigate the benefits of streamlining rate case processing by consolidating the separate companies for regulatory purposes into one (1) corporation which is consistent with how the utilities (CWS, United, USSC, and Southland) are managed.

**Q. WILL THE TRANSFER OF STOCK AND MERGER AFFECT CUSTOMER RATES?**

**A.** No. The Joint Applicants state that CWS will operate each of the water and sewer systems under the current schedules of rates and charges approved for each of the Joint Applicants. In other words, the customers will see no change in their rates until CWS files a rate case with the Commission. CWS will bill customers in each of the water and sewer systems pursuant to the current schedule of rates and charges as approved by the

Commission for that system. For example, if the transfer of stock and merger is approved, a residential sewer customer of USSC will notice his or her monthly bill is now rendered under the company name of Carolina Water Service, Inc.; however, the monthly sewer service rate will still be \$53.55 as approved by the Commission in Order No. 2013-910 and 2015-30 for USSC. If CWS wants to change rates and charges after the transfer of stock and merger, CWS will be required to file a separate application with the Commission. Currently, differences exist in the rates of the four (4) companies. When CWS files future rate cases, which ORS anticipates will eventually lead to consolidation of the four (4) companies' current rates into one (1) rate schedule, it should be expected that certain customers may experience different levels of rate changes depending on which utility was the previous provider. Further, it should be noted that ORS expects a rate case to be forthcoming. However, at this time, it is not known whether CWS will seek to combine all rate schedules into one (1) rate schedule or whether separate rate schedules will continue.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

**A.** Yes it does.